

Welcome to Equilar's monthly newsletter. We would like to take a brief moment to highlight key trends in executive compensation and update you on Equilar's activities.

▶ TRENDS IN BENCHMARKING CEO PAY AT S&P 100 COMPANIES

The recent imbroglio at the NYSE highlights the importance of peer group selection for CEO compensation analyses. Hence, we analyzed S&P 100 companies to uncover trends regarding how the largest corporations in America are selecting their peer groups when benchmarking CEO pay.

Here are our key findings:

- **There is a trend towards increased disclosure of peer group companies for benchmarking purposes.** Forty-one percent of S&P 100 companies changed the disclosure of their peer group over the two most recent fiscal years. By a ratio of almost three to one, companies increased the specificity of disclosure regarding peer groups.
- **The level of disclosure varied widely.** At the high-end of the disclosure spectrum, 11% of companies provided actual company names that were included in their benchmarking analysis. Here are just a few examples of how companies described their peer groups:
 - "Comparable companies"
 - "Significant, global industrial/service corporations"
 - "Large and high-performing industry competitors: Abbott, AstraZeneca,..." (ten other competitors listed)
- **More companies are benchmarking CEO pay against a peer group that includes a complement of both general peers (determined by criteria such as market capitalization or revenues) and industry-specific peers (focused industry or index).** This trend may be tied to the fact that domain experience is becoming less critical as more CEOs are hired from outside their industries. In addition, as consolidation has swept various industries, there appear to be fewer relevant peers against which to compare. Our analysis found the following:
 - Forty-three percent of S&P 100 companies used both a general peer group and specific industry peer group for benchmarking purposes.
 - Example: "Pharmaceutical, medical device, and biotech industries included in S&P's 500 Health Care Index, as well as other large non-health care companies of similar size and scope."
 - Thirty-one percent used a general peer group ONLY.
 - Example: "General Industry with revenue comparable to the level of the company."
 - Twenty-six percent identified specific industry peer group ONLY.
 - Example: "Companies within the S&P Aerospace/Defense Index."
- **Among the 21 S&P 100 companies that disclosed the number of companies against which they benchmarked, the median number of peer group companies was 15.**
 - These values ranged from three companies (Harrah's Entertainment) to as many as 600 companies (Medimmune).

▶ LARGEST OPTION GRANTS AND RESTRICTED STOCK AWARDS IN OCTOBER 2003

Information regarding the five largest option grants and restricted stock awards made in October 2003 was generated using Equilar's AwardsInsight™ (Form 4) service.

Largest Option Grants in October 2003				
Company Name	Executive Name	Executive Title	Transaction Date	# Options Granted
International Game Technology	G. Thomas Baker	Chairman	10.27.2003	1,500,000
EMC Corporation	Joseph M. Tucci	President & CEO	10.23.2003	1,120,000
Sanmina-Sci Corporation	Jure Sola	Chairman & CEO	10.10.2003	1,000,000
EMC Corporation	Howard D. Elias	EVP, New Ventures	10.23.2003	750,000
International Game Technology	Thomas J. Matthews	CEO, COO & President	10.27.2003	600,000

Largest Restricted Stock Awards in October 2003						
Company Name	Executive Name	Executive Title	Transaction Date	# Shares Awarded	Price Per Share	Value of Award
Sanmina-Sci Corporation	Jure Sola	Chairman & CEO	10.10.2003	1,000,000	\$10.48	\$10,480,000
Robert Half International Inc.	Harold M. Messmer Jr.	Chairman & CEO	10.22.2003	262,523	\$22.85	\$5,998,651
Sanmina-Sci Corporation	Randy W. Furr	President & COO	10.10.2003	500,000	\$10.48	\$5,240,000
Emerson Electric Company	Charles F. Knight	Chairman	10.06.2003	80,000	\$54.56	\$4,364,800
EMC Corporation	Joseph M. Tucci	President & CEO	10.23.2003	280,000	\$13.18	\$3,690,400

▶ TRENDS REVEALED IN FORM 4 TRANSACTIONS

Overall, derivative and non-derivative transactions declined between September and October 2003, generating a 16.5% drop in the total number of awards and grants. This drop is attributed to a fall in derivative awards, which may reflect the profusion of recent announcements declaring the replacement of stock options with restricted stock awards. Stay tuned to see if this hypothesis is affirmed in coming months.

September 2003 to October 2003: Comparison of Total Form 4 Transactions				
	October 2003	September 2003	# Change	% Change
Derivative Awards	1,315	1,660	(345)	(20.8%)
Non-Derivative Awards	546	568	(22)	(3.9%)
Total Awards & Grants	1,861	2,228	(367)	(16.5%)

▶ CUSTOMIZED REPORTS NOW AVAILABLE FROM EQUILAR

We have seen a sharp increase in the number of requests from our clients for customized research. These requests have included:

- Option dilution and run rate data.
- Recent equity compensation awards (available in Form 4 filings 48 hours after their award).
- Numbers relating to share ownership (excluding exercisable options) among executives and directors.

- Information on annual incentive pay metrics.

As the year's end approaches with last minute board and committee requests for information, contact Equilar at 877-441-6090 or e-mail info@equilar.com to ensure timely, accurate, customized compensation data.

▶ EQUILAR IN THE NEWS - HIGHEST PAID HR EXECUTIVES

- [Fairchild Corp. May Be a Stock for Masochists](#) (**Bloomberg**, December 3, 2003)
- [Execs Got Both Options And Restricted Stock In October](#) (**Compliance Week**, December 2, 2003)
- [Redstone, Karmazin Highest-Paid Duo](#) (**Bloomberg**, November 19, 2003)
- [Lifting the Lid: More Execs to Get Both Options, Grants](#) (**Reuters**, November 13, 2003)
- [Cisco and EMC: Crystal, You Can't Value Options!](#) (**Bloomberg**, November 5, 2003)

▶ CONTACT EQUILAR

If you would like to learn more about Equilar and how we can help you, please contact us by phone (877.441.6090), e-mail (support@equilar.com), or visit us on the Web at www.equilar.com.

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